



Interested in Tech Stocks? Here's 1 With a Profit Margin Over 40%

Description

Are you looking for a Canadian tech stock with solid results to add to your portfolio? Here's one with an excellent profit margin to consider.

Open Text Corp. ([TSX:OTEX](#))([NASDAQ:OTEX](#)), founded in 1991, is a leader in enterprise information management and is headquartered in Waterloo, Ontario. It provides software and a platform to help businesses find, use, and share information.

Open Text reported fourth-quarter earnings on August 3 of US\$0.60 per share, which is in line with industry expectations. This beat 2016's fourth-quarter results by 34.83%. The company's net income declined by 50.97% year over year compared to the same quarter in 2016 to \$0.17 per share. That sounds bad, but it was among the best results in the industry. Earnings look better. Over the last three years, earnings have averaged 64.27% annually, topping the industry average of 40.84%.

Company net profit sits at a stellar 44.78%. This makes Open Text the industry leader on profits. The next closest competitor, **Computer Modelling Group Ltd.** ([TSX:CMG](#)), has a profit margin of 29.78%. Open Text's return on equity also looks great at 37.22% — well above the 15-20% analysts typically look for. This is a company that's good at taking investors' money and turning it into solid revenues and profits.

The stock currently sells around the \$40 mark, which puts it closer to its 52-week low of \$38.89 than its 52-week high of \$48.28. Analysts' consensus only puts the stock trading around \$44 for the next year. If they are right, there is still a little room for this stock to grow.

If you are an investor looking at income, Open Text offers a dividend. It currently offers a quarterly dividend of US\$0.132 per share for an annual dividend of US\$0.53 per share. This gives the stock a dividend yield of 1.65%. The company started paying dividends in 2013, and the rate has gone up each year since, which bodes well for income investors.

Investor takeaway

There are many positives about Open Text, particularly its ability to turn a profit. Past performance is never a guarantee of future performance, but this company is worth considering if you want to add a

tech company, or simply one with solid profits, to your portfolio.

CATEGORY

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2. TSX:CMG (Computer Modelling Group Ltd.)
3. TSX:OTEX (Open Text Corporation)

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